

**EAST KENTUCKY UTILITIES, INC**  
P.O. Box 408  
Prestonsburg, Kentucky 41653

March 13, 2006

Ms. Beth O'Donnell  
Executive Director  
**KENTUCKY PUBLIC SERVICE COMMISSION**  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

**RECEIVED**

MAR 14 2006

PUBLIC SERVICE  
COMMISSION

RE: Gas Cost Recovery  
East Kentucky Utilities, Inc.

*Case No. 2006-00116*

Dear Ms. O'Donnell:

As you know, Kentucky Frontier Gas, LLC is the contract operator for the Floyd County Gas System through a Service Agreement with East Kentucky Utilities, Inc. ("EKU"). Kentucky Frontier Gas, LLC assumed operations of the system on August 15, 2005.

On behalf of EKU, we are filing for Gas Cost Recovery for the period commencing February 1, 2006. Enclosed is a Rates and Charges form and related calculations on which we are basing our request for rate changes. The cost of gas from our supplier, Equitable Resources, LLC, for February 2006 is as set forth in the attached gas supply contract. We respectfully request a waiver of the thirty (30) day notice requirement for this filing. If you have any questions, please call me at (606) 886-2431.

Sincerely,

  
EAST KENTUCKY UTILITIES, INC.

By: Larry Rich,  
Local Manager  
Kentucky Frontier Gas, LLC

SCHEDULE II

EXPECTED GAS COST

Actual \* MCF Purchases for 12 months ended 12/31/2004

(1) Supplier	(2) Dth	(3) BTU Conversion Factor	(4) Mcf	(5)** Rate	(6) (4) X (5) Cost
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EQUITABLE ENERGY LLC

63,982.40	1.225	79,978	\$11.87 (FEB. 2006)	\$949,338.86
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Totals	<u>63,982.40</u>		<u>79,978</u>		<u>\$948,338.86</u>
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Line loss for 12 months ended 12/31/2004 is \_\_\_\_\_ % based on purchases of  
79,978 Mcf and sales of 75,988 Mcf.

Total Expected Cost of Purchases (6)	Unit \$	Amount \$11.87
÷ Mcf Purchases (4)	Mcf	
= Average Expected Cost Per Mcf Purchased	\$/Mcf	
x Allowable Mcf Purchases (must not exceed Mcf sales ÷ .95)	Mcf	
= Total Expected Gas Cost (to Schedule IA)	\$	

\*Or adjusted pursuant to Gas Cost Adjustment Clause and explained herein.

\*\*Supplier's tariff sheets or notices are attached.

Confirmation Date February 06, 2006 08:03

Transaction Confirmation - EXHIBIT A			
<p>This Confirmation Letter is being provided in accordance with EEC's Master Gas Sale/Purchase Agreement, the North American Energy Standards Board Base Contract for Sale and Purchase of Natural Gas or the Gas Industry Standards Board Base Contract for Short-Term Sale and Purchase of Natural Gas ("Contract"), which ever is applicable, between Equitable Energy, LLC ("EEC") and Counterparty, and constitutes part of and is subject to all terms and provisions of the Contract. In the event the Parties have not executed a Contract, the terms and conditions of the North American Energy Standards Board Base Contract for Sale and Purchase of Natural Gas and Equitable Energy's Special Provisions (attached if applicable) and this Confirmation Letter shall apply to this Transaction.</p> <p>Please sign and return one copy of the attached Confirmation to EEC within two (2) Business Days of receipt to the fax number set forth below. The terms of this Confirmation Letter are binding on EEC and Counterparty unless Counterparty objects to EEC in writing within said two (2) Business Days. If you are not in agreement with the above terms, please contact Theresa L. Petersen at 412.395.2835.</p>			
<b>Seller</b>		<b>Buyer</b>	
EQUITABLE ENERGY LLC 4TH FLOOR 225 NORTH SHORE DRIVE PITTSBURGH, PA 15212-5861		EAST KENTUCKY UTILITIES PO BOX 408 PRESTONSBURG, KY 41653	
<b>Deal Maker</b>	BRIAN SHAFRANEK	<b>Attn</b>	STEVE OXFORD
<b>Phone</b>	Phone: 412.395.2627	<b>Phone</b>	Phone: (606) 866-2431
<b>Email</b>	Not available -- Fax# 412.395.2675	<b>Email</b>	Not available -- Fax# (606) 880-9198
<b>Transaction ID</b>			
S-EASTKYUTILIT-0010			
<b>Delivery Term and Pricing Detail</b>			
<b>Service Level</b>	<b>From</b>	<b>To</b>	<b>Price</b>
FIRM	02/01/2006 10:00 am	03/01/2006 10:00 am	\$9.8900
<b>Delivery Point Detail and Volumes</b>			
<b>Pipeline</b>	<b>Meter</b>	<b>Total/Avg Daily</b>	<b>Description</b>
KENTUCKY WV	39	3,750/ 134 Dth	EAST KENTUCKY UTILITIES, ALLEN/DWALE
KENTUCKY WV	39B	3,750/ 134 Dth	EAST KENTUCKY UTILITIES, GARRETT
KENTUCKY WV	39C	3,750/ 134 Dth	EAST KENTUCKY UTILITIES, STEEL CREEK
KENTUCKY WV	39D	3,750/ 134 Dth	EAST KENTUCKY UTILITIES, ALLEN/DWALE
<b>Special Conditions</b>			
<b>Seller</b>		<b>Buyer</b>	
EQUITABLE ENERGY LLC		EAST KENTUCKY UTILITIES	
<b>By Authorized Signer</b>		<b>By Authorized Signer</b>	
<b>Name and Title</b>		<b>Name and Title</b>	
Frank Krang, Director			
<b>Date</b>	February 06, 2006	<b>Date</b>	